



Commercial Real Estate Group
of Tucson LLC
THE TENANT'S ADVOCATE

Fast Facts on Tucson's Industrial Real Estate Market Second Quarter 2010

The big picture

While the vacancy rate in Tucson's industrial real estate market continues to inch up, it's become relatively stable over the last four quarters, observes Michael Coretz, a broker with Commercial Real Estate Group of Tucson.

But while vacancies have only risen 0.4 percent since 3Q 2009, quoted rental rates continue to steadily fall, says Coretz. They've dropped 7 percent in the same time period.

This could reflect a long-awaited halt to the effects from the current financial crisis in commercial real estate in Tucson, where industrial employment is on the rise.

"I believe we're in a holding pattern right now," says Coretz, "but vacancy rates could skyrocket and rental rates drop further when many mortgage loans come due starting in 2011."

No new space is expected to open in the Tucson industrial real estate market after 2010, says Coretz, which will affect the offerings available for tenants looking to expand or relocate.

He cautions tenants to provide ample time—at least 18 months—to investigate all options for new leases in sublease space, new buildings and existing ones.

Tucson numbers

Total market

Vacancy rate: 11.2%

Total vacant space: 4,287,947 square feet

Vacant sublease space: 233,214 square feet

Net absorption: -79,037 square feet

Quoted rental rate: \$6.70, down 0.7% over 1q 2010

Deliveries: 0 square feet total rentable building area

Under Construction: 14,400 square feet

Flex

Vacancy rate: 15%

Total vacant space: 1,399,266 square feet

Vacant sublease space: 80,974 square feet

Quoted rental rate: \$8.69, flat over 1q 2010

Warehouse

Vacancy rate: 10%

Total vacant space: 2,888,681 square feet

Vacant sublease space: 152,240 square feet

Quoted rental rate: \$6.18, down 0.1% over 1q 2010

Markets

Downtown Tucson

Vacancy rate: 5.8%

Total vacancy: 234,776 square feet

Year-to-date net absorption: -27,415 square feet

Year-to-date deliveries: 0 square feet

Under construction: 0 square feet

Quoted rental rate: \$6.54

Northeast Tucson

Vacancy rate: 10.9%

Total vacancy: 300,472 square feet

Year-to-date net absorption: -5,122 square feet

Year-to-date deliveries: 0 square feet

Under construction: 0 square feet

Quoted rental rate: \$7.54

Northwest Tucson/Oro Valley

Vacancy rate: 9.7%

Total vacancy: 913,695 square feet

Year-to-date net absorption: -74,113 square feet

Year-to-date deliveries: 0 square feet

Under construction: 26,400 square feet

Quoted rental rate: \$7.01

Palo Verde

Vacancy rate: 9.0%

Total vacancy: 546,702 square feet

Year-to-date net absorption: 68,279 square feet

Year-to-date deliveries: 0 square feet

Under construction: 0 square feet

Quoted rental rate: \$5.38

Park/Ajo

Vacancy rate: 11.4%

Total vacancy: 428,009 square feet

Year-to-date net absorption: -74,761 square feet

Year-to-date deliveries: 0 square feet

Under construction: 0 square feet

Quoted rental rate: \$6.01

South Pima/Green Valley

Vacancy rate: 0%
Total vacancy: 0 square feet
Year-to-date net absorption: 0 square feet
Year-to-date deliveries: 0 square feet
Under construction: 0 square feet
Quoted rental rate: \$0

Southeast Tucson
Vacancy rate: 12.3%
Total vacancy: 541,871 square feet
Year-to-date net absorption: 26,814 square feet
Year-to-date deliveries: 5,824 square feet
Under construction: 14,400 square feet
Quoted rental rate: \$6.93

Southwest Tucson/Airport
Vacancy rate: 17.5%
Total vacancy: 1,322,422 square feet
Year-to-date net absorption: -93,831 square feet
Year-to-date deliveries: 0 square feet
Under construction: 0 square feet
Quoted rental rate: \$7.49

Source: The CoStar Industrial Report, CoStar Group, www.costar.com

The local economy

Unemployment: 9.0% (May 2010)
Non-Farm employment: 351,400 (June 21010)
Average annual wage per worker: \$39,900 (2009)
Per capita personal income: \$31,648 (2009)

Source: Economic and Business Research Center, University of Arizona Eller College of Management, ebr.eller.arizona.edu/indicators

Compiled and presented by Commercial Real Estate Group of Tucson. For more information, contact Michael Coretz, 520-299-3400, michael@cretucson.com or visit www.tucson-commercial-real-estate.com.